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ORIGINAL

May 18, 2009

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AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission
Docket Control
1200 W Washington Street
Phoenix, AZ 85007

RE: Comments of EnerNOC, Inc. in the Docket for the Investigation of Regulatory and Rate Incentives for Gas & Electric Utilities.

DOCKET No. E-00000J-08-0314 , G-00000C-08-0314

EnerNOC, Inc., respectfully submits the attached comments in the investigation of Regulatory and Rate Incentives for Gas & Electric Utilities.

I hereby certify that 13 copies of this Notice of Intervention have been mailed to the docket office and to the parties of record in this docket.

Sincerely,

Mona Tierney-Lloyd

Mona Tierney-Lloyd
Sr. Manager Western Regulatory Affairs
EnerNOC, Inc.
P. O. Box 378
Cayucos, CA 93430
(415) 238 3788

Arizona Corporation Commission
DOCKETED

MAY 22 2009

DOCKETED BY	<i>[Signature]</i>
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CC: Arizona Corporation Commission [13]
Lyn Farmer
Janice Alward
Ernest Johnson
Parties of Record



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A handwritten signature in black ink that reads "Mona Tierney-Lloyd".

Mona Tierney-Lloyd
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Janice Alward
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COPY of the foregoing was mailed or emailed
this 19th day of May, 2009, to:

Service List E-00000J-08-0314			
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**Comments of EnerNOC, Inc. in advance of May 20, 2009
Technical Working Group Meeting**

EnerNOC appreciates the opportunity to present comments in advance of the May 20th Technical Working Group Meeting.

EnerNOC has been granted intervenor status in this docket in which it asked the Arizona Corporation Commission (“ACC” or “Commission”) to include demand response alongside its examination of energy efficiency targets. EnerNOC is fully supportive of the ACC’s desire to increase the amount of energy efficiency savings resulting from utility program measures and individual customer actions. These measures are important to ensure that existing resources are used efficiently, to defer investment in new generation, transmission and/or distribution facilities, to reduce carbon and greenhouse gas emissions, and to dampen energy rate increases to maintain the economic viability of Arizona’s residents and businesses. There are many good policy reasons to support energy efficiency.

These good policy reasons apply equally in support of demand response programs. In fact, while energy efficiency efforts will provide annual MWh savings, demand response is targeted specifically to reduce peak demand requirements (MWs). For many utility systems, 10% of the utility resources are procured or built to meet 1% of the annual hours. As Arizona’s demand is expected to grow significantly, doubling, over the next two decades, it will be equally as important to reduce the peak demand, through demand response measures, as to reduce annual requirements through energy efficiency savings. Peak demand reductions can translate directly into deferred investments for peaking facilities. Peaking facilities may be among the most expensive, least efficient and, potentially, most polluting resources in a utility’s supply stack. So peak reductions may reduce overall generation/procurement costs, thereby keeping overall utility rates lower, and may also result in lower greenhouse gas emissions.

Several states have already passed legislation that includes peak load reduction targets¹ or directive language to the state public utilities commission to report back on the capability to incorporate targets for peak load reductions. In addition, the Energy Independence and Securities Act (EISA) of 2007 requires state commissions to report on their assessment of aligning utility incentives with increasing energy efficiency measures, including examination of demand response. Further, EISA requires state commissions to report on their consideration of adopting smart grid technologies, within which demand response is defined as part of smart grid. Lastly, there is consideration of federal legislation in the House of Representatives that includes peak demand reduction targets alongside an energy efficiency standard, a renewable portfolio standard and a carbon cap and trade proposal.

As the ACC is still in the process of exploring information in formulating its rulemaking, EnerNOC would strongly encourage the ACC to explore demand response on a parallel path with energy efficiency targets and program development. EnerNOC would

¹ See attached Appendix A.

recommend setting an annual demand reduction target somewhere around .75% and 1% per year.

EnerNOC currently provides over 3000 MW of demand response programs to 12 state and federally regulated entities² and in organized markets to 2,000 customers at over 5,000 customer sites. EnerNOC provides a guaranteed demand reduction to the utility, when called upon, for a particular number of hours per year in exchange for a capacity and energy payment. EnerNOC then identifies commercial, industrial and institutional customers, with the cooperation of the utility, who are capable of reducing their demand when notified. EnerNOC pays the customer for their response. EnerNOC has a sophisticated network operating center ("NOC") that provides visibility to the customer location, can send a notification to the customer to curtail, can monitor the customer's response in real-time and can notify the customer when the event has ended. The utility can call the event for any reason (i.e. peak demand, emergency outage, transmission/distribution outage, etc.), so long as it is within the number of hours provided under contract.

There are no upfront costs to the customer and the customer receives a payment for their response. Further, the customer receives access to their actual data, so they can see the result of their response on their demand. This access to individual data raises customer awareness, and in some instances, is the impetus for taking further actions to improve the efficient utilization of energy on premises in other ways. For example, EnerNOC also offers an innovative energy efficiency service called Monitoring Based Commissioning (MBCx). Demand response often provides a gateway for customers to implement MBCx on premises. MBCx is a monitoring service which identifies no-cost or low-cost ways to increase energy efficiency at commercial and institutional facilities by real-time monitoring of lighting and HVAC equipment. MBCx is an example of the potential for additional enhancements in energy efficiency to be achieved through advances in technology at low cost to consumers. Customer payments from demand response may also be used to offset the up-front costs of other types of energy efficiency measures, improving the attractiveness of these investments.

Comments Related to Technical Working Group Topics:

1. Effect on IRP:

Demand response would defer or reduce the need to purchase supplies or build new peaking generation to meet peak demand (MW). Additional energy efficiency reductions would reduce the amount of energy (MWh) the utility would need to generate or purchase. Long-range planning should include the ability to defer or offset the need for additional generation through energy efficiency and demand response.

² See attached Appendix B

2. Impact on Bills:

For customers participating in demand response, the customer reduces the purchases from the utility for on-peak capacity and energy. The customer also receives a payment for their ability to reduce their demand in response to event notifications sent to EnerNOC from the utility. To the extent the demand reduction resulted in deferring the need for infrastructure upgrades, new generation addition or incremental purchases, there is a benefit to the entire system of the avoided cost of that purchase or investment.

3. Effect on Procurement Practices:

Cost-effective demand response and energy efficiency become part of the resource stack for utilities, displacing higher cost resource options. Utilities have an interest in keeping their rates competitive so as not to encourage their business customers to seek lower costs of doing business elsewhere. Not only does demand response have the potential to reduce the procurement costs for participants, by reducing demand during peak periods and receiving a participation payment, but, to the extent demand response is cost-effective relative to the alternative, all consumers on the system benefit. It is a win-win. APS's market potential study indicated that pursuing energy efficiency was cost beneficial in relation to traditional resource alternatives. The same analysis would apply to avoiding new peak demand resources.

4. What Utilities would do Differently:

Again, target requirements create a new consciousness around the cost-effective options available to the utility in place of installing or procuring additional peaking resources or to deploying less-efficient, polluting and costly existing peaking resources.

5. Research and Data Decoupling

EnerNOC believes that the energy industry is on the brink of a significant change in the way that it functions due to data access. Access to and the availability of enhanced, real-time information regarding system conditions, prices, resources, and demand data at the customer premises or on the system create an opportunity to increase customer awareness and the opportunity to provide better service more efficiently than was ever possible until now. Customers, who have access to real-time information, can make informed choices about their desire to consume or curtail. They can make more informed choices about their own energy infrastructure investments decisions, armed with better information about the real cost and payback of those decisions.

EnerNOC is aware that the Arizona Corporation Commission has not, yet, launched an investigation regarding smart grid. However, since the ACC is contemplating establishing energy efficiency targets, EnerNOC respectfully suggests that the

Commission take notice of the potential that information and technology may play in relation to energy efficiency and demand response in the not-too-distant future. EnerNOC deploys state-of-the-art information and communications technologies in providing services to customers.

As the introduction of new technologies will be evolutionary, EnerNOC strongly recommends that the ACC maintains some flexibility in its rules that would accommodate the ability to revise its policies and goals as our understanding of the capabilities of technology and data relative to energy becomes more evident.

6. Types of Incentives and Decoupling

EnerNOC is not offering any specific comments relative to this section at this time. However, EnerNOC believes it is important to eliminate disincentives for utilities to pursue cost-effective energy efficiency or demand response.

7. What is happening in other Jurisdictions

In the attached Appendix A are examples of recent legislative and regulatory initiatives to incorporate peak demand reduction targets alongside establishing energy efficiency goals and/or incorporation of renewable standards. While Arizona appears ready to set an aggressive target for energy efficiency energy reductions in comparison with to other states, the state should also consider peak load reduction targets alongside the energy efficiency goals, as several states are doing, and, as may be required if the federal legislation is passed.

In terms of new, technology-enabled energy efficiency opportunities, EnerNOC has been selected by PG&E and SCE to offer MBCx through their most recent energy efficiency solicitations, currently pending CPUC review and approval. MBCx identifies energy savings that would not be identified through traditional programs.

EnerNOC has been approved by the relevant regulatory authorities to provide demand response to all of the entities represented in Appendix B.

Appendix A

State Legislatures or Commissions Which Have Adopted Peak Reduction Laws or Rules

- **OH SB 221** (July 2008)
 - Utilities are required to submit plans to achieve peak reductions of 1%, beginning in 2009, increasing that reduction by .75% each successive year through 2018
- **PA SB 119** (October 2008)
 - By May 2013, electric distribution companies must demonstrate a 4.5% reduction in the top 100 hours of demand relative to year-ending May 2008
- **NY PSC Order**
 - Requires Consolidated Edison to file, by May 2009, a proposal to increase demand response in New York City in order to offset new generation for peaking requirements.
- **VA SB 1348** (April 2009)
 - Directed the state commission to determine cost-effective achievable energy efficiency and demand response targets that can be administered by the utilities
 - State Commission must report to the governor and the legislature by November 15, 2009
- **CA CPUC Loading Order**
 - Requires utilities to meet their resource requirements first through cost-effective, achievable energy efficiency and demand response.
 - Air Resources Board established a 5% target for demand response as part of the scoping plan to meet greenhouse gas emissions reduction targets.
- **CO HB 1037** (2007)
 - "The Commission shall establish energy savings and peak demand reduction goals...the energy savings and peak demand reduction goals shall be at least five percent of the utility's retail system peak demand measured in megawatts in the base year and at least five percent of the utility's retail energy sales measured in megawatt-hours in the base year. The base year shall be 2006."

Appendix B

BILATERAL CONTRACTS – REGULATED UTILITIES	
Burlington Electric Department (VT)	10 MW, 4 year contract
Idaho Power	65 MW, 5 year contract
Maryland IOUs Allegheny Power, Baltimore Gas & Electric, Delmarva Power, Pepco	250 MW, 4 year contracts
Pacific Gas & Electric	40 MW, 5 year contract
Public Service Company of New Mexico	30 MW, 10 year contract
Puget Sound Energy	Pilot Program, 2 year contract
Salt River Project	50 MW, 3 year contract
San Diego Gas & Electric	25 MW, 10 year contract 25 MW expansion (pending regulatory approval)
Southern California Edison	40 MW, 2 year contract 110 MW extension (pending regulatory approval)
Tampa Electric Company	35 MW, 4 year contract
Tennessee Valley Authority	110 MW, 3 year contract
Xcel Energy (Colorado)	44 MW, 8 year contract